

HOUSING NOW

Canada



Canada Mortgage and Housing Corporation

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Canadian Market Overview

New Home Market

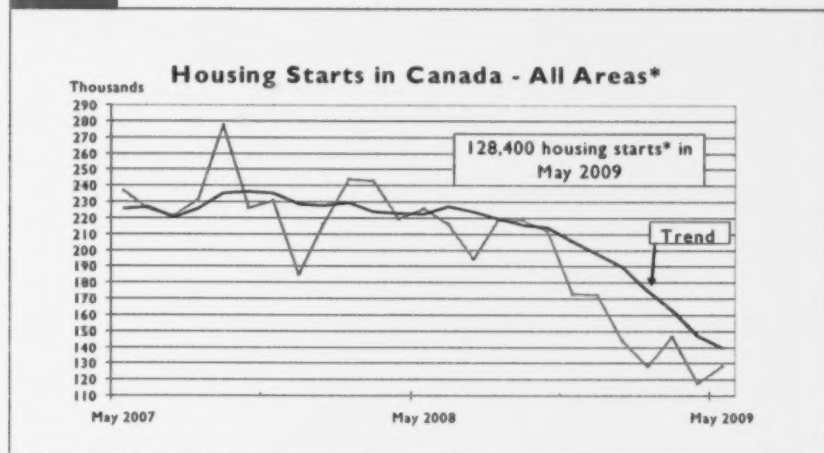
Housing starts move up in May

The seasonally adjusted annual rate¹ of housing starts was 128,400 units in May, up from 117,600 units in April.

Higher multiple starts in Ontario and Quebec were the main contributors to the rise in

new construction activity in May. While the multiples segment experienced the largest increase, the overall boost in starts was broad based, encompassing the singles segment as well.

Figure 1



Source: CMHC

* Seasonally adjusted at annual rates

Monthly housing starts numbers published in Housing Now Canada are final and may differ from the preliminary numbers in the starts press release

¹ All starts figures, other than actual starts, are seasonally adjusted annual rates (SAAR) that are monthly figures adjusted to remove normal seasonal variation and multiplied by 12 to reflect annual levels.

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Urban starts move higher in May

The seasonally adjusted annual rate of urban starts increased 11.1 per cent to 107,800 units in May. Urban multiple starts rose 11.1 per cent to 60,900 units, while urban single starts moved higher by 11.1 per cent to 46,900 units in May.

Urban starts up in all regions except for BC

May's seasonally adjusted annual rate of urban starts increased in all regions, except for British Columbia, where they moderated by 5.1 per cent to 9,400 units. Urban starts grew by 22.0 per cent to 41,600 units in Ontario, by 16.8 per cent to 15,300 units in the Prairies, by 7.4 per cent to 7,300 units in Atlantic Canada, and by 3.3 per cent to 34,200 units in Quebec.

Rural starts were at a seasonally adjusted annual rate of 20,600 units in May.

Year-to-date actual starts down compared to 2008

Year-to-date actual starts in rural and urban areas combined decreased by an estimated 47.5 per cent compared to relatively high levels during the first five months of 2008. Actual urban

single starts for January to May 2009 are down 45.3 per cent compared to a year earlier while urban multiple starts are down 50.1 per cent over the same period. On a year-to-date basis, actual total housing starts in urban areas have decreased by an estimated 48.5 per cent when compared to the same period in 2008.

Growth in new house prices moderates in April

The New Housing Price Index (NHPI) fell by 3.0 per cent in April compared to the previous year.

In comparing April 2009 to April 2008, only St. John's (17.0 per cent) had a double digit increase. Declines were observed in Edmonton (-12.6 per cent), Saskatoon (-12.0 per cent), Vancouver (-9.0 per cent), Calgary (-8.8 per cent), Victoria (-7.0 per cent), Hamilton (-1.4 per cent), and St. Catharines-Niagara (-1.0 per cent).

Existing Home Market

MLS[®] sales increased in May

Seasonally adjusted MLS[®] (Multiple Listing Service[®]) sales increased by 8.0 per cent to 37,649 units in May, compared to 34,858 units in April.

Actual MLS[®] sales were down 0.8 per cent to 49,521 units compared to May 2008.

MLS[®] new listings decreased in May

Seasonally adjusted MLS[®] new listings in May decreased by 0.8 per cent to 65,070 units, compared to 65,597 units in April.

Actual new listings are down 21.2 per cent when compared to May 2008.

Sales-to-new-listings ratio up in May

An indicator of price pressure in the existing home market is the sales-to-new-listings ratio². New listings are a gauge of the supply of existing homes, while MLS[®] sales are a proxy for demand.

Canada's existing home market has been in sellers' territory throughout most of this decade. In the past three months, a declining sales-to-new-listings ratio and slowing price growth indicate existing home markets have become more balanced. However, the Canada-wide seasonally adjusted sales-to-new-listings ratio is in sellers' market territory at 57.9 per cent in May, up from 53.1 per cent in April.

¹Multiple Listing Service (MLS) is a registered certification mark owned by the Canadian Real Estate Association

²Taking the Canadian MLS[®] market as a whole, a sales-to-new-listings ratio below 40 per cent has historically accompanied prices that are rising at a rate that is less than inflation, a situation known as a buyers' market. A sales-to-new-listings ratio above 55 per cent is associated with a sellers' market. In a sellers' market, home prices generally rise more rapidly than overall inflation. When the sales-to-new-listings ratio is between these thresholds, the market is said to be balanced.

The May seasonally adjusted average MLS® price in Canada was up 1.8 per cent to \$302,070 compared to April, while the unadjusted MLS® average price was up 0.4 per cent in May compared to a year ago.

The year-over-year increase in the unadjusted MLS® average price is due, in part, to improved sales in the higher priced markets such as British Columbia and Alberta, where unit sales are up 2.8 per cent and 4.7 per cent, respectively, on a year-over-year basis.

Economic conditions

Across the country, employment decreased by 42,000 jobs in May

2009. All losses were in full-time positions. Canada's employment rate is now at 61.8 per cent, down from 62.0 per cent in April. Overall, the goods-producing sector experienced the largest declines.

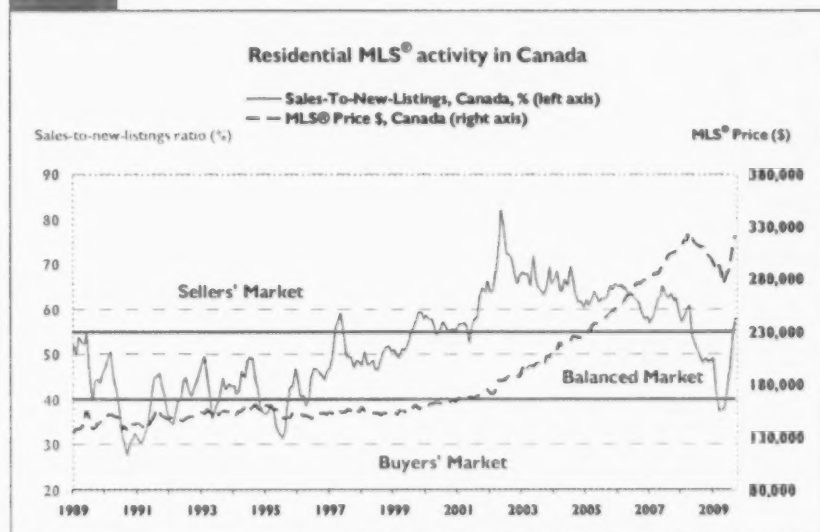
Employment in manufacturing fell by 58,000 in May. Canada's unemployment rate now stands at 8.4 per cent, up from April's 8.0 per cent rate.

The Bank of Canada has committed to keep the overnight rate target at 0.25 per cent until the end of the second quarter of 2010, conditional on the inflation outlook. The overnight rate remains unchanged from the Bank's April Monetary Policy Report (MPR). According to the Bank of

Canada, the significant output gap will continue to widen through the third quarter of 2009, therefore putting downward pressure on inflation. The Bank believes it has considerable flexibility in the conduct of monetary policy at low interest rates, consistent with the framework outline in the April MPR.

The Consumer Price Index (CPI) increased by 0.1 per cent in May 2009 compared to the same month in 2008, down from the 0.4 per cent increase recorded for the 12-month period ending in April 2009. On a seasonally adjusted monthly basis, consumer prices rose 0.2% from April to May.

Figure 2



Data are seasonally adjusted and annualized, and cover Canada's major markets
 Sources: CMHC, Canadian Real Estate Association (CREA), MLS®

Residential Mortgage Credit Grows in the First Quarter of 2009

Residential mortgage credit increased by 9.3 per cent in the first quarter of 2009, compared to the first quarter of 2008, to reach about \$916.5 billion.

Despite the current economic slowdown, continuing low mortgage rates during most of 2008 and into 2009 have fostered housing demand and growth in the mortgage market.

Short and medium-term fixed mortgage rates remain near historical lows, which is helping to support Canada's housing sector.

As house prices increased over the past several years, homeowners have been able to use the value of their home to increase the amount of equity available to finance their renovation projects. Strong renovation spending continues to contribute to increasing mortgage credit growth as households tend to renovate within the first three years following the purchase of a home. According to CMHC's Renovation and Home Purchase Report of 2009, close to \$21.3-billion was spent on renovations during 2008. In addition, about 40 per cent of households in the ten Canadian markets surveyed renovated their home in 2008. About 46 per cent of homeowners intend to renovate in 2009.

Figure 3

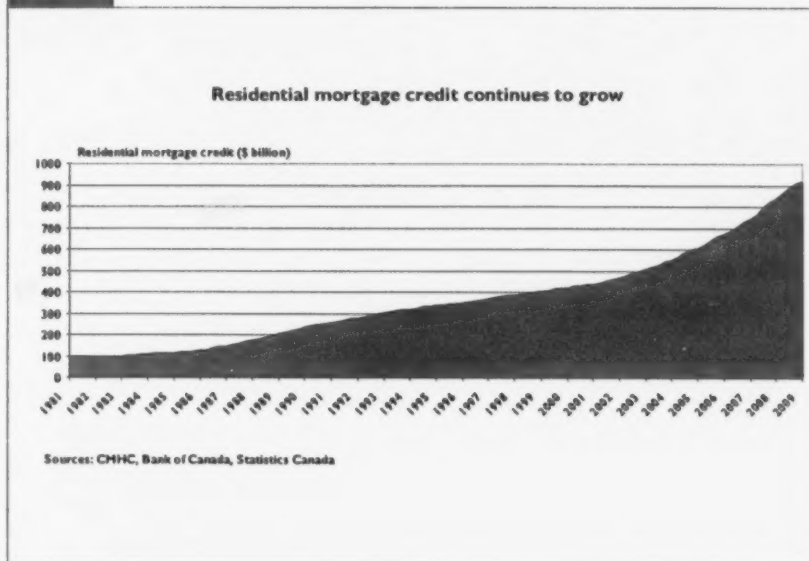


Figure 4



Mortgage credit growth still positive despite housing sector moderation

Despite the moderation in the housing sector, and in the economy in general, mortgage credit outstanding continues to grow. The reason for this is that even if the level of housing activity is lower, many of the sales of new and existing homes are accompanied, with a lag, by new mortgage loans. As a result, though there may be fewer new mortgage loans, these still add to mortgage credit outstanding, at a faster rate than existing mortgage loans that get paid down or paid off.

Market shares change slightly

Chartered banks accounted for 70.8 per cent of the residential mortgage loans outstanding in the first quarter of 2009, this is down from 72.4 per cent in the second quarter of 2008. Credit unions followed next with 18.2 per cent, as shown in the table below; this is up from 16.7 per cent in the second quarter of 2008. Together, banks and credit unions comprise approximately 89 per cent of the share of residential mortgage credit. Other than the change in the shares of chartered banks and credit unions, the overall shares have remained essentially unchanged when compared to the previous four quarters. ■

Share of the stock of residential mortgage credit by institution type (%) *

	1Q08	2Q08	3Q08	4Q08	1Q09
Banks	72.3	72.4	72.7	71.4	70.8
Trusts	1.5	1.5	1.5	1.6	1.6
Caisse & Cr. Unions	16.8	16.7	16.6	17.7	18.2
Life Ins. Co.	2.3	2.3	2.3	2.4	2.4
Pension Funds	2.2	2.3	2.3	2.4	2.5
Others **	4.9	4.8	4.6	4.5	4.5

* Excludes Special Purpose Vehicles and NHA MBS

** Includes non-depository credit intermediaries

Source: CMHC, Bank of Canada, Statistics Canada.

INDICATORS OF MORTGAGE LENDING ACTIVITY

Mortgage credit outstanding (\$millions)*

	2007	2008	1Q08	2Q08	3Q08	4Q08	1Q09
TOTAL	775,899	871,419	838,434	860,742	887,469	906,923	916,579
% change (year-over-year)	11.6	12.3	13.1	12.8	11.9	10.5	9.3
Banks	442,116	469,576	464,724	473,952	488,597	460,197.7	446,699.3
Trusts	8,550	9,802	9,450	9,702	10,110	10,226	10,108
Caisse & Cr. Unions	102,500	110,412	107,800	109,342	111,920	113,916	114,903
Life Ins. Co.	14,790	15,406	15,102	15,277	15,534	15,558	15,360
Pension Funds	13,238	15,105	14,385	14,954	15,409	15,553	15,914
Others **	31,691	31,128	31,340	31,219	30,771	29,212	28,275
Special Purpose Vehicles	24,884	22,729	23,920	23,466	22,135	20,755	19,840
NHA MBS ***	138,130	197,260	171,713	182,828	192,993	241,505	265,480

* Average for the period, unadjusted

** Includes non-depository credit intermediaries

*** CMHC

NHA and Conventional Mortgage Loans Approved*

		2007	2008	4Q07	1Q08	2Q08	3Q08	4Q08
By Type of Lender								
Banks	\$ millions	173,039	160,614	36,652	35,067	48,566	43,357	33,624
	Units	981,764	868,817	200,649	191,400	267,453	229,106	180,858
Trusts	\$ millions	8,506	10,978	2,101	2,759	3,357	2,999	1,863
	Units	49,072	65,610	11,009	14,346	20,013	17,995	13,256
Life Ins. & Others	\$ millions	36,974	44,687	8,599	10,607	13,386	12,223	8,471
	Units	259,840	293,274	60,402	71,045	87,755	78,573	55,901
TOTAL	\$ millions	218,519	216,279	47,352	48,433	65,309	58,579	43,958
	Units	1,290,676	1,227,701	272,060	276,791	375,221	325,674	250,015

* Mortgage approval data are gross and may not fully capture lending activities of credit unions, caisses populaires, other smaller institutions and privately-insured loans in some areas.

Source: CMHC NHA loan approval system and Conventional Lending Survey

This Month's Housing Data (SAAR)

	2008	Q3: 08	Q4: 08	Q1: 09	M3: 09	M04: 09	M05: 09
Housing starts, units, 000s							
Canada. Total. All areas	211.1	207.7	184.9	139.4	146.5	117.6	128.4
Per cent change from previous period	-7.6	-4.5	-11.0	-24.6	14.1	-19.7	9.2
Canada. Total. Rural areas	23.7	26.3	22.1	19.1	19.1	20.6	20.6
Per cent change from previous period	-31.5	6.0	-16.0	-13.6	0.0	7.9	0.0
Canada. Total. Urban areas	187.4	181.4	162.8	120.3	127.4	97.0	107.8
Per cent change from previous period	-3.3	-5.9	-10.3	-26.1	16.6	-23.9	11.1
Canada. Single. Urban areas	74.4	72.8	66.9	47.4	46.1	42.2	46.9
Per cent change from previous period	-18.1	-5.3	-8.1	-29.1	0.7	-8.5	11.1
Canada. Multiple. Urban areas	112.9	108.6	95.9	72.9	81.3	54.8	60.9
Per cent change from previous period	9.8	-6.3	-11.7	-24.0	28.0	-32.6	11.1
Newfoundland. Total. All areas	3.3	3.4	3.6	3.4	3.3	2.8	2.7
Per cent change from previous period	23.1	13.3	5.9	-5.6	3.1	-15.2	-3.6
Prince Edward Island. Total. All areas	0.7	0.6	0.7	0.4	0.4	0.5	0.8
Per cent change from previous period	-5.1	-14.3	16.7	-42.9	-20.0	25.0	60.0
Nova Scotia. Total. All areas	4.0	4.1	3.4	3.7	3.8	2.5	3.0
Per cent change from previous period	-16.2	10.8	-17.1	8.8	-19.1	-34.2	20.0
New Brunswick. Total. All areas	4.3	4.1	4.0	3.3	3.4	4.2	4.0
Per cent change from previous period	0.8	-8.9	-2.4	-17.5	6.3	23.5	-4.8
Quebec. Total. All areas	47.9	47.6	47.7	41.3	43.6	41.1	42.2
Per cent change from previous period	-1.3	-0.2	0.2	-13.4	18.2	-5.7	2.7
Ontario. Total. All areas	75.1	74.8	67.8	54.3	62.6	36.3	43.8
Per cent change from previous period	10.2	-5.1	-9.4	-19.9	32.9	-42.0	20.7
Manitoba. Total. All areas	5.5	5.4	5.8	3.4	3.5	3.1	3.3
Per cent change from previous period	-3.5	-6.9	7.4	-41.4	-5.4	-11.4	6.5
Saskatchewan. Total. All areas	6.8	7.2	5.3	2.2	2.1	2.9	4.9
Per cent change from previous period	13.7	-8.9	-26.4	-58.5	-8.7	38.1	69.0
Alberta. Total. All areas	29.2	25.2	21.9	13.4	11.9	12.4	12.4
Per cent change from previous period	-39.7	-11.3	-13.1	-38.8	-5.6	4.2	0.0
British Columbia. Total. All areas	34.3	35.3	24.7	14.0	11.9	11.7	11.2
Per cent change from previous period	-12.4	-4.9	-30.0	-43.3	-16.2	-1.7	-4.3

SOURCE: CMHC, Starts and Completions Survey. All data are seasonally adjusted and annualized. This seasonally adjusted data goes through stages of revision at different times through the yearly cycle resulting in finalization of preliminary data. These revisions take place at the end of each month, quarter and year.

This Month's Housing Data, continued (SAAR)*

	2008	Q3: 08	Q4: 08	Q1: 09	M3: 09	M04: 09	M05: 09
Canada. Total. Urban areas	187.4	181.4	162.8	120.3	127.4	97.0	107.8
Newfoundland. Total. Urban areas	2.2	2.4	2.5	2.4	2.3	1.9	1.8
Prince Edward Island. Total. Urban areas	0.5	0.4	0.6	0.2	0.2	0.3	0.6
Nova Scotia. Total. Urban areas	3.3	3.3	2.9	3.0	3.1	1.5	2.0
New Brunswick. Total. Urban areas	3.1	3.0	2.9	2.4	2.5	3.1	2.9
Quebec. Total. Urban areas	41.6	40.4	40.4	33.1	35.4	33.1	34.2
Ontario. Total. Urban areas	71.9	71.3	65.0	52.3	60.6	34.1	41.6
Manitoba. Total. Urban areas	3.8	3.7	4.4	2.3	2.4	1.8	2.0
Saskatchewan. Total. Urban areas	4.7	4.6	3.5	1.6	1.5	1.1	3.1
Alberta. Total. Urban areas	25.4	21.2	19.1	11.1	9.6	10.2	10.2
British Columbia. Total. Urban areas	30.9	31.1	21.5	11.9	9.8	9.9	9.4

* Thousands of units, quarterly and monthly data are seasonally adjusted and annualized.

This Month's Major Housing Indicators

	2008	Q3: 08	Q4: 08	Q1: 09	M3: 09	M04: 09	M05: 09
New Housing							
New & unoccupied singles & semis, units 000s	7.6	7.6	8.5	8.9	9.0	8.8	8.6
Per cent change from same period previous year	26.2	38.4	37.9	29.4	26.0	22.4	14.1
New & unoccupied row & apartments, units 000s	9.5	9.1	10.6	11.2	11.5	11.6	12.0
Per cent change from same period previous year	9.9	4.6	15.4	21.0	26.1	27.3	34.8
New House Price Index, 1997=100	158.2	158.6	157.7	155.4	154.6	153.7	n.a.
Per cent change from same period previous year	3.4	2.3	0.9	-1.6	-2.4	-3.0	n.a.
Existing Housing							
MLS® resales*, units 000s	434.5	446.8	346.7	346.5	376.0	418.3	451.8
Per cent change from same period previous year	-17.1	-12.8	-32.5	-27.9	-19.5	-10.4	-2.2
MLS® average resale price**, \$C 000s	303.6	297.9	287.8	283.5	289.3	296.8	302.1
Per cent change from same period previous year	-0.7	-3.4	-9.7	-9.9	-7.1	-4.3	-2.8
Mortgage Market							
Posted 1-Year Mortgage Rate, % (period average)	6.70	6.75	6.10	4.83	4.50	3.90	3.90
Posted 5-Year Mortgage Rate, % (period average)	7.06	6.95	7.05	5.71	5.55	5.25	5.25

SOURCES: CMHC, Statistics Canada, Bank of Canada, The Canadian Real Estate Association.

n.a. Figures not available

* Quarterly and monthly data are seasonally adjusted and annualized (SAAR).

** Annual data is actual. Monthly and quarterly data is seasonally adjusted.

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